



## PRIVATE ACTIVITY BOND AUTHORITY PROGRAMS

The **Private Activity Bond (PAB) Authority Program** is Utah's tax-exempt bonding authority creating a lower cost, long-term source of capital under the Federal Tax Act of 1986. The Federal government allocates over \$32 billion in volume cap per year to states on a per capita basis. Utah receives over \$277,000,000 in volume cap on a yearly basis. The PAB Program runs on a calendar year from January to December.



The Utah Legislature has approved the following projects for utilizing this valuable resource.

### SMALL ISSUE ACCOUNT

Percent of Total Volume Cap: 24%

- **Multi-Family Affordable Housing** (apartments)
- **Manufacturing Facilities** (credit worthy with higher paying jobs; to build or buy a new building, equipment, and/or land)



### SINGLE FAMILY ACCOUNT

Percent of Total Volume Cap: 42%

- **Utah Housing Corporation** for first-time single family homeowners

### STUDENT LOAN ACCOUNT

Percent of Total Volume Cap: 33%

- **Board of Regents** for university and college student loans

### EXEMPT FACILITY ACCOUNT

Percent of Total Volume Cap: 1%

- **Pollution and Waste Control Projects**



### QUALIFIED REDEVELOPMENT PROJECTS

- **Local Governmental Units** for the acquisition, clearing, preparation, redevelopment and rehabilitation of real property in a designated blighted area.

*(continued on back)*



## PRIVATE ACTIVITY BOND AUTHORITY PROGRAMS (continued)

### Why Use Private Activity Tax-Exempt Bonds?

Private Activity Bonds (PAB) are issued for the benefit of private individuals or entities. Applicants are able to use a government entity's tax-exempt financing status to issue PAB. The buyer of a PAB bond does not pay Federal income taxes on the interest received for these bonds. Consequently, tax-exempt bonds bear lower interest rates than bank loans or taxable bonds. This lower borrowing cost is passed on directly to the applicant under the PAB Program.



Applicants must apply for an allocation of Volume Cap before a bond can be issued. Volume Cap is allocated by the Private Activity Bond Review Board in 90-day certificates. Applications are submitted at least five weeks prior to the PAB Board Meetings. Volume Cap allocations require a qualified bond attorney to complete the issuance transaction.

To receive more information about the Private Activity Bond Authority Program, please visit the PAB website at <http://goed.utah.gov/relocate/PAB/>. Individual program information and applications can also be found there.

#### For additional questions, please contact:

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### Why Should Manufacturers Use Tax-Exempt Bonds?

- State and Federal laws allow manufacturing companies to use a city or county's name and tax-exempt financing status to issue tax-exempt bonds.
- If all tax requirements are met, bond issues are exempt from Federal income taxes and possibly State and local taxes.
- Interest rates of tax-exempt bonds are usually lower than taxable bonds.
- There is no guarantee, debt, liability, obligation or pledge of faith by the city or county issuing the bonds.
- Governmental entities are willing to do this because PABs meet a public purpose or create a public benefit, i.e. creation of jobs from a new manufacturing facility.
- Tax-exempt bonds provide an alternative, low-cost, source of funds to finance capital expenditures.

### Why Should Developers Use Tax-Exempt Bonds?

- Lower interest rates than conventional loans of comparable maturity.
- Higher loan amounts (greater leverage) due to lower interest rates.
- Access to a greater variety of financing tools.
  - Variable rates demand bonds to provide greater cash flow.
  - Derivative products to customize financing to desired risk tolerance.
- Access to equity from 4% Low-Income Housing Tax Credits ("LIHTCs").
  - Provides 25% to 30% more capital as a source of funds.
- Easier and quicker path to obtain necessary authorization to proceed.